

CHARTERING IN THE MEDITERRANEAN SEA

The following are examples of charters in Italy, France, Croatia and Spain.

When proposing a possible itinerary to a client, please consider attentively the following main points

1) Reduction of VAT base on charters in Italy and France:

Be reminded that a charter contract is a contract between the Owner and the Charterer, mediated by a Broker. If a Charterer and his Broker believe that the itinerary involves navigation in international waters, he can ask the Owner for a reduction of the fee to which the VAT is applied.

It is the responsibility of the Owner and of his Captain to verify, through the Broker, if the proposed itinerary is eligible for reduction. Be reminded as well that the Owner is held accountable for 5 years, before the designated authorities, for his/her choices regarding the reduction of the taxable fee. The Charterer is in no way responsible when he/she disembarks.

In Italy the reduction of VAT results from calculation of 22% VAT on 30% of the charter fee for yachts over 24 meters (80')

In France the reduction of VAT results from calculation of 20% VAT on 50% of the charter fee for yachts of any size.

Examples of correct calculation to write on the contract:

Italy: charter fee € 10,000, + IT Vat 22% on 30% of the charter fee = € 660, meaning 6.6% of the fee)
France: charter fee € 10,000 + FR Vat 20% on 50% of the charter fee = € 1,000, meaning 10% of the fee)

Please note that the 6.6% rate in Italy, and the 10% rate in France are NOT VAT rates, but the results of the reduction calculation.

2) VAT refund:

Once stated in a contract, the VAT is not refundable.

If the contract shows a reduced VAT, for example at 10% for France, because the Charterer plans to navigate in international waters but the charter takes place entirely in national waters, an addendum to the contract will provide for payment of the difference to cover the whole 20%.

If, on the contrary, the charterer has paid the amount in full and then decides to navigate in international waters, he/she cannot claim a refund.

The Charterer can claim a VAT refund only if the charter ends earlier than established in the contract and disembarks.

In this case, if the early termination is agreed upon with the Owner and the Charterer, the fiscal representative will refund the VAT for the unused time under the rule "No Service no Tax application".

3) Reduction of the VAT assessment base:

In order to benefit from VAT reduction, before offering a Charterer to embark in a port other than the one initially specified in the contract, additional costs such as fuel, delivery and redelivery should be attentively considered. Often these costs exceed the amount of VAT reduction.

VAT on APA.

In Italy, no additional VAT is paid on APA items that the Captain purchases with the Charterer's money or that he purchases locally at VAT included price. VAT, equal to the rate applied to the charter, is applied exclusively on items which are purchased duty free by the yacht's owning company and sold to the Charterer, such as fuel, lubricants, spirits, wine and champagne, present on board.

In Spain and Croatia

If such purchases have been made outside the national territory before the start of the charter, they are not subject to local VAT.

All purchases made within the national territory are subject to taxation.

In France there is no change for the 2018 season.

4) 12-mile limit in the Mediterranean:

Below is a map of the Mediterranean with the official national water limits.



A) Charter in Italy

Examples of cruises that take place within 12 miles and are thus subject to 22% VAT.

In yellow on the map

1. Portofino – Porto Venere – Forte dei Marmi – Elba Island – Fiumicino – Ponza – Ischia – Capri – Naples
2. Porto Cervo – Porto Vecchio – Cavallo – Ajaccio – Maddalena – Porto Cervo
3. Palermo – Eolie Islands – Catania
4. Venice – Rovinj – Pola – Zadar – Split

Examples of cruises that involve navigation beyond 12 miles and are thus eligible for reduced VAT.

In green on the map

1. Sanremo – Ajaccio – Porto Cervo – Elba Island – Viareggio
2. Porto Cervo – Ponza – Capri – Naples
3. Naples – Capri – Eolie Islands – Ustica – Palermo
4. Venice – Dubrovnik (direct line outside 12 miles)
5. Ancona – Montenegro – Dubrovnik – Split – Venice



B) Charter in France

Examples of cruises that take place within 12 miles and are thus subject to 20% VAT.

In yellow on the map

1. Monaco – Antibes – Cannes – St. Tropez
2. Ajaccio – Calvi – Porto Vecchio – Bonifacio

Examples of cruises that involve navigation beyond 12 miles and are thus eligible for reduced VAT.

In green on the map

1. St. Tropez – out of the 12 miles – Antibes – Monaco.
2. Cannes – St. Florent – Calvi – Porto Cervo



C) Charter in Spain

In Spain you are required to obtain a Charter License in the region where the charter takes place. For the Balearic Islands, the license is issued by the port Authority of Palma de Mallorca. For Barcelona, by the local Port Authority

The average time to obtain a license is 8 weeks, which excludes last minute charters.

Charters originating in Spain. **In yellow on the map**

1. Palma de Mallorca – Ibiza – Menorca – Barcelona (Balearic license)
2. Barcelona – Ibiza – Barcelona. (Barcelona license)

Charters originating outside of Spain

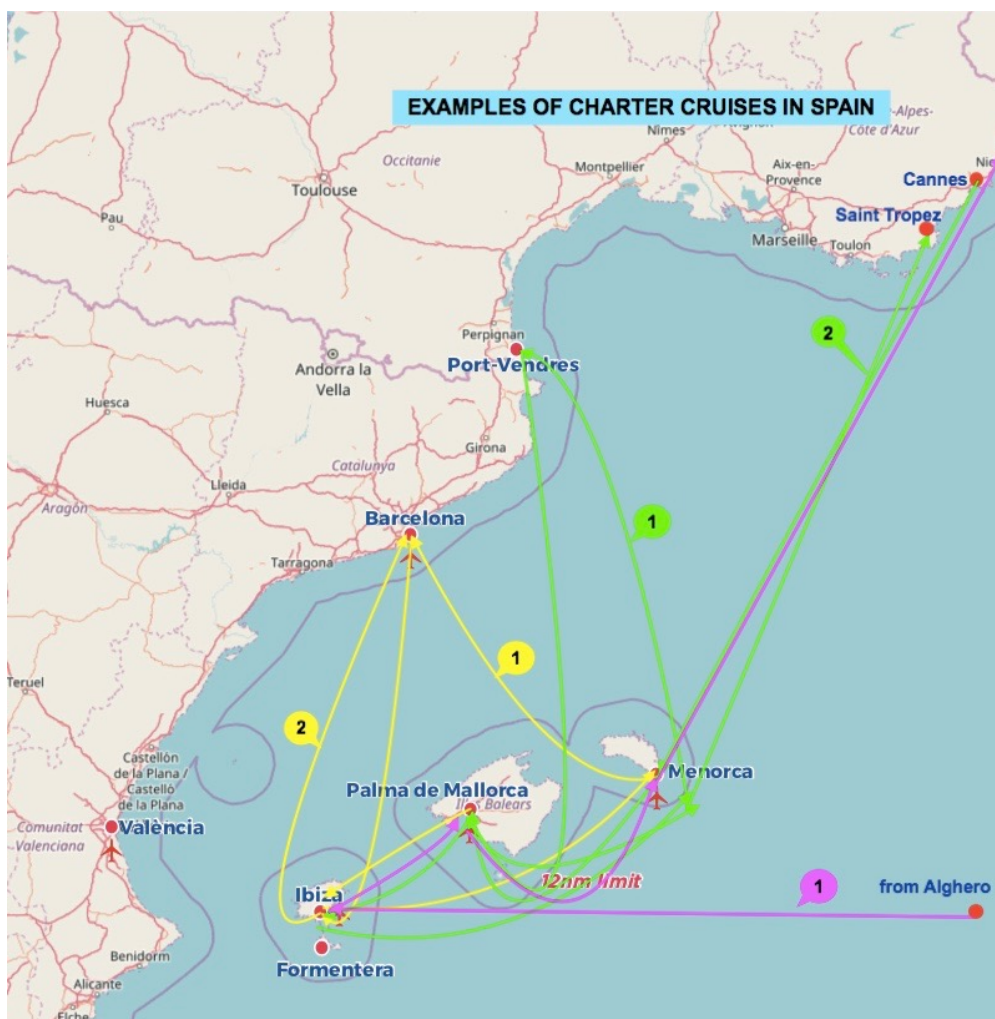
No license is required if the charter starts and ends outside of Spain with no modification to the guests list and crew (it is illegal to change guests). VAT must be paid in the country where the charter originates.

French VAT rate

1. Port Vendres – Mallorca – Ibiza – Port Vendres. **In green on the map**
2. Cannes – Menorca – Mallorca – St. Tropez. **In green on the map**

Italian VAT rate

1. Alghero - Ibiza – Mallorca – Minorca – Monaco. **In purple on the map**



D) Charter in Croatia

Croatia, as written before, does not contemplate the concept of navigation in international waters, therefore in Croatia there is no VAT reduction for navigation in international waters.

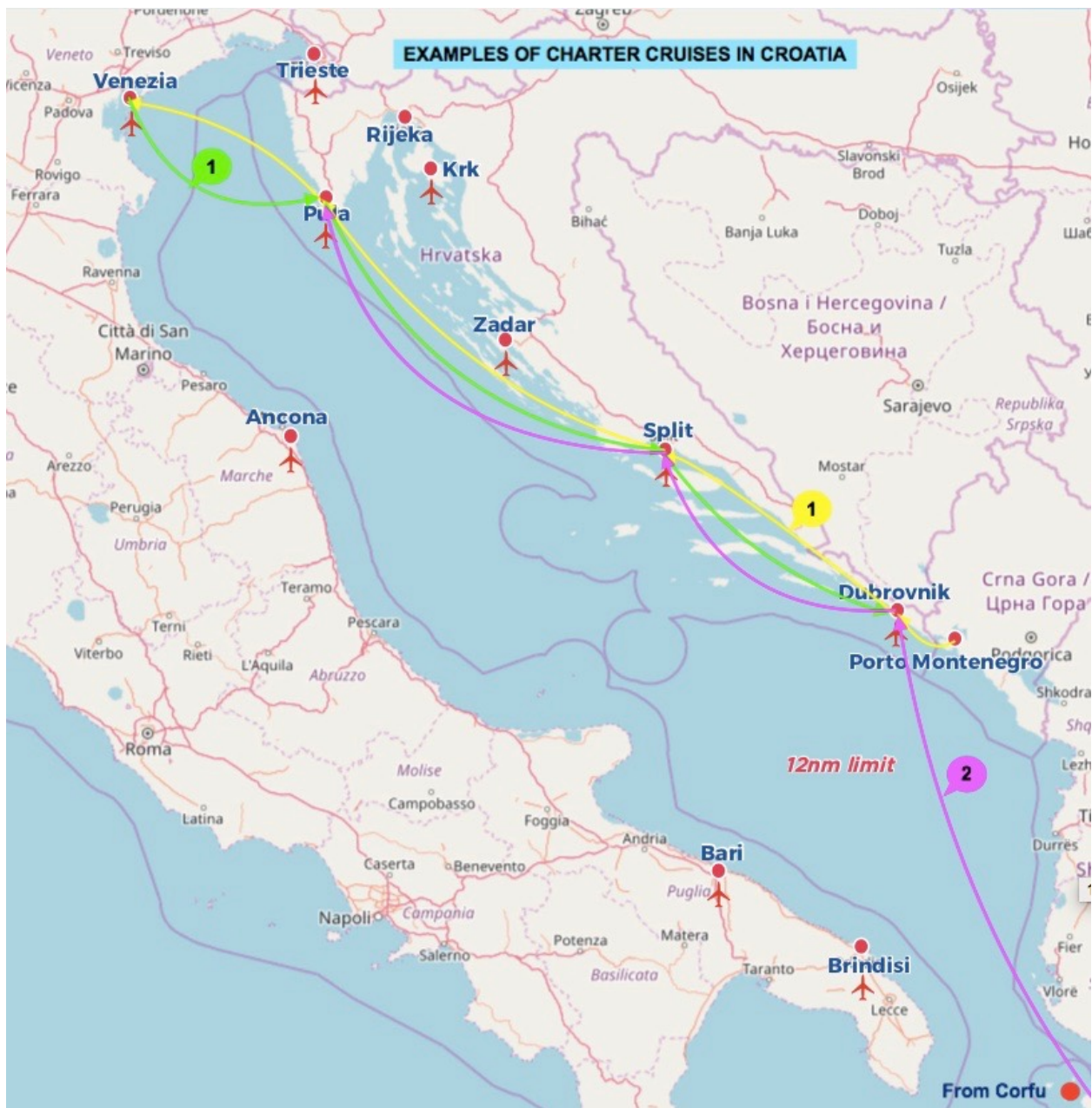
The VAT applied in Croatia for charter activities is already reduced to 13%, as in the tourism activity. The standard VAT rate in Croatia is 25%.

If a charter starts in Montenegro, cruises in Croatia and ends in Italy, VAT is paid in Croatia and Italy for the number of days spent in each country.

1. Porto Montenegro – Dubrovnik – Split – Pula – Venice. **In yellow on the map**

If a charter starts in Italy or Greece, both EU countries, the Charterer is not required to pay any VAT in Croatia since the VAT has already been paid in the country of origin.

1. Venice – Pula – Split – Dubrovnik. **In green on the map**
2. Corfu – Dubrovnik – Split – Pula. **In purple on the map**



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